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August 13, 2004

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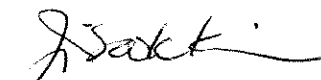
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Dear Parties:

Re: Docket No. 04-0140 -- Paradise Mergersub, Inc.; GTE Corporation; Verizon Hawaii Inc.; Bell Atlantic Communications, Inc.; and Verizon Select Services Inc. for Approval of a Merger Transaction and Related Matters.

The attached document was transmitted to the Public Utilities Commission through electronic mail from Verizon Hawaii Inc. on August 12, 2004. The document is being forwarded to you pursuant to Hawaii Administrative Rules § 6-61-29(b).

Sincerely,


Ji Sook (Lisa) Kim
Commission Counsel

JSK:eh

Attachment

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Public Hearings for Transfers of Control

More Efficient Alternatives Exist When Appropriate

Issue: Whether Public Hearings Should be Held in Transfers of Control

This issue has been raised by the AFL-CIO in the context of the transfer of control of Verizon Hawaii ("Verizon") to The Carlyle Group ("Carlyle"). The IBEW has asked that public hearings be held to allow for public input.

AFL-CIO's Specific Request

The AFL-CIO made its request for public hearings in a letter from Harold Dias, Jr., President Hawaii State AFL-CIO, in a letter to PUC Chairman Carl Caliboso dated July 1, 2004. In this letter, Dias stated:

"Although we are not necessarily against the sale at this time, we are, however, very concerned of the negative impact this sale could have on the job and benefit security of Verizon Hawaii employees. . . My self and my fellow union leaders and members look forward to the opportunity to share our concerns, in detail, at these public hearings.

Public Hearings Have Narrow Usage

State statutes and PUC regulations require the use of public hearings in specific situations (i.e., general rate increases and the location of high-voltage power lines). Public hearings outside of those two situations can be allowed by the PUC if warranted.

Public Hearings Not Typically Held With Transfers of Control

There have been a number of transfers of control in ownership of telecommunications companies over the years in which public hearings were not held. The most recent relevant example is in the prior transfer of control for Verizon Hawaii (i.e., GTE/Bell Atlantic merger) in which public hearings were not held.

Similar to telecommunications, transfers of control in other industries also typically do not utilize public hearings.

Public hearings are neither required for transfer of control of public utility proceedings nor, based on history, typically held.

Public Hearings Present Challenges to Public

While public hearings can be useful in allowing the public to comment on certain issues and to provide input for consideration by the PUC, they do present challenges that could limit their benefit:

- Public hearings are held in selected locations in the state on certain dates and times (i.e., one meeting per island with the exception of the Big Island that may have two)
- Public attendance is often limited due to the distances that must be traveled to the hearing location and conflicts with due to work or other requirements.
- Public hearings typically result in the residents in an area to have only one opportunity to provide public comments.

The PUC Has Provided a More Efficient Process for Public Input

The PUC has provided an alternative process which addresses many of the shortcomings of the public hearings process while allowing for public input:

- Rather than requiring the public to provide comments on only one specific day and time per island, the process provided will allow the public to provide comments at their convenience over a period of time.
- The ability to provide comments either by letter or email rather than requiring them to be provided in person at a specified location is more convenient to the public.
- This process also grants Harold Dias' request that the AFL-CIO and other "union leaders" be allowed the opportunity to share any concerns.

PUC Has Also Provided For Other Input

In addition to obtaining input from the public, the PUC has also ensured that this proceeding will have other additional input by including as parties to the proceeding the following:

- U.S. Department of Defense – Large customer and national security interests
- Pacific LightNet and Time Warner Communications – Competitive interconnection interests
- Retirees of Verizon Hawaii and IBEW Local 1357 – retirees and employee interests
- State Division of Consumer Advocacy – all consumer and public interests

Summary

The same input that would be obtained from public hearings is being provided for by the PUC through a process that is more convenient for the public.